

Washington State Auditor's Office
Accountability Audit Report

City of Ferndale
Whatcom County

Report Date
October 18, 2006

Report No. 72081

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February 2, 2007



Washington _____
State Auditor

Brian Sonntag



**Washington State Auditor
Brian Sonntag**

February 2, 2007

Mayor and City Council
City of Ferndale
Ferndale, Washington

Report on Accountability for Public Resources

Please find attached our report on the City of Ferndale's accountability for public resources and compliance with state laws and regulations and its own policies and procedures.

In addition to this work, we also audit the City's financial statements. The results of that audit will be included in a separately issued audit report.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Whatcom County
October 18, 2006**

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Audit Summary

**City of Ferndale
Whatcom County
October 18, 2006**

ABOUT THE AUDIT

This report contains the results of our independent accountability audit of the City of Ferndale.

We performed audit procedures to determine whether the City complied with state laws and regulations and its own policies and procedures. We also examined City management's accountability for public resources. Our work focused on specific areas that have potential for abuse and misuse of public resources.

Areas examined during the audit were selected using financial transactions from January 1, 2005, through December 31, 2005.

RESULTS

The City complied with state laws and regulations and its own policies and procedures in the areas we examined. Internal controls were adequate to safeguard public assets. We noted certain issues that we communicated to City management.

RELATED REPORTS

Our opinion on the City's financial statements is provided in a separate report, which includes the City's financial statements.

CLOSING REMARKS

We thank City officials and personnel for their assistance and cooperation during the audit.

Description of the City

City of Ferndale Whatcom County October 18, 2006

ABOUT THE CITY

The City of Ferndale serves over 10,000 citizens in Whatcom County. The City is administered by a mayor-council form of government. There are seven elected Council Members and an independently elected Mayor. The City operated on an expense fund budget of \$4.6 million in fiscal year 2005. The City has approximately 55 employees who provide an array of services including water, sewer, police, Municipal Court and planning. The City contracts with Whatcom County Fire Protection District No. 7 for fire protection and with the Whatcom County Library System for library services.

AUDIT HISTORY

The City is audited on an annual basis. Three findings were issued in the 2003 audit. There are no findings reported during the current audit.

ELECTED OFFICIALS

These officials served during the audit period:

Mayor
City Council:

Jerry Landcastle
Steve Oliver
Mel Hansen
Mike Reilly
Marianne Elgart
Susan Cole
Carol Brumet
Ron Wilson

Note: Jim Elliot replaced Marianne Elgart, Ken Downey replaced Susan Cole, Gary Jensen replaced Carol Brumet and Keith Olsen replaced Ron Wilson.

APPOINTED OFFICIALS

City Administrator

Greg Young

ADDRESS

City

2095 Main Street
P.O. Box 936
Ferndale, WA 98248
(360) 384-4302
(360) 384-1163 (fax)
www.ci.ferndale.wa.us

Audit Areas Examined

City of Ferndale Whatcom County October 18, 2006

In keeping with general auditing practices, we do not examine every portion of the City of Ferndale's financial activities during each audit. The areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. Other areas are audited on a rotating basis over the course of several years. The following areas of the City were examined during this audit period:

ACCOUNTABILITY FOR PUBLIC RESOURCES

We evaluated the City's accountability in the following areas:

- Petty cash, change and revolving accounts
- Cash receipting and revenues
- Fixed assets
- Payroll
- Purchasing and accounts payable
- Financial statement preparation and journal entries

We audited the following areas for compliance with certain applicable state and local laws and regulations:

- Deposit and investment of public funds
- Required financial schedules
- Insurance and bonding
- Budgeting requirements
- Ethics/conflict of interest laws
- Open Public Meetings Act
- Use of hotel/motel tax revenues
- Competitive bid law compliance
- Public works contracts
- State prevailing wage requirements
- Seized and forfeited property
- Long-term debt covenant compliance
- Inter-fund transactions
- Legal and supported payments

FINANCIAL AREAS

Our opinion on the City's financial statements is provided in a separate report. That report includes the City's financial statements and other required financial information. We examined the financial activity and balances of the City including:

- Cash and investments
- Revenues
- Expenditures
- Long-term debt
- Overall presentation of the financial statements